

## **Haldummulla Pradeshiya Sabha - 2023**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Haldummulla Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial operation, statement of changes in equity, and cash flow statement and other explanatory information, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Sub-section 172 (1) of the Pradeshiya Sabhas Act No.15 of 1987 and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Haldummulla Pradeshiya Sabha as at 31 December 2023, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Practice

#### **1.2 Basis for Qualified Opinion**

Based on the matters described in Paragraph 1.6 of this report, I express a qualified opinion on the financial statements.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion

#### **1.3 Responsibilities of Management and the parties in charge of the Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Practices, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Pradeshiya Sabha's financial reporting process.

As per Sub-section 16 (1) of the National Audit Act No. 19 of 2018, the Pradeshiya Sabha is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

#### **1.4 Scope of Audit (Auditor's Responsibility in Auditing Financial Statements)**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Designed and performed the appropriate audit procedures and identified and assessed the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluated the overall presentation, structure and content of the financial statements including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Pradeshiya Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Pradeshiya Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Pradeshiya Sabha
- Whether the Pradeshiya Sabha has performed according to its powers, functions and duties; and
- Whether the resources of the Pradeshiya Sabha had been procured and utilized economically, efficiently and effectively within the timeframes and in compliance with the applicable laws.

## 1.5 Report on Other Legal Requirements

Special provisions are included in the National Audit Act, No. 19 of 2018 with respect to the following requirements.

- (a) Financial statements of the Pradeshiya Sabha are consistent with the preceding year as required by Section 6 (i) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The recommendations made by me in the preceding year in accordance with Section 6 (i) (d) (iv) of the National Audit Act, No. 19 of 2018, have been included in the financial statements presented

## 1.6 Audit Observations on the Preparation of Financial Statements

### 1.6.1 Accounting Deficiencies

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
(a) The amount spent on the improvement of buildings worth Rs. 1,890,700 that had been constructed in the year under review and the lands had not been capitalized.	The corrections will be made when the account 2024 are prepared.	The accounts should be prepared correctly.
(b) The purchase done at a value of Rs. 4,394,212 under the Local Development Supporting Project (LDSP) in the year under review had not been accounted under machinery, furniture and fittings.	-Do-	-Do-
(c) The sanitary equipment worth Rs. 469,300 and the Electric Devices worth Rs. 68,778 as at 31 December of the year under review had not been accounted.	-Do-	-Do-
(d) The miscellaneous expenses at a value of Rs. 1,183,812 payable as at 31 December of the year under review had not been included in the financial statements.	The corrections will be made when the account 2024 are prepared.	The accounts should be prepared correctly.
(e) The particulars related to the two lawsuits in the court on the recovery of outstanding revenues had not been disclosed in the financial statements.	The particulars about lawsuits will be included in the account in future.	The adequate disclosures should be made within the financial statements.

## 1.6.2 Unreconciled Control Accounts or Records

<b>Audit Observation</b>	<b>Comment of the Pradeshiya Sabha</b>	<b>Recommendation</b>
There was a difference of Rs. 9,224,986 between the balance as per the statements of financial positions on 06 items of assets, liabilities and revenues as at 31 December of the year under review and the balance as per the schedules.	The corrections will be made when the account of next year are presented.	The account balances should be reconciled and the accounts should be prepared correctly.

## 1.6.3 Lack of Written Evidences for Audit

<b>Audit Observation</b>	<b>Comment of the Pradeshiya Sabha</b>	<b>Recommendation</b>
A satisfactorily examination could not be carried out during the audit due to non-submission of valuation reports, fixed asset documents and schedules relating to 08 assets and liabilities amounting to a total value of Rs.89,862,707.	The actions will be taken in future to present the schedules related to the assets and the relevant information.	Sufficient evidences should be presented to verify the account balances.

## 1.7 Non-compliance

### Non-compliance with laws, rules, regulations and management decisions

Instances of non-compliance with laws, rules, regulations and management decisions are as follows

<b>Reference to laws, rules, regulations</b>	<b>Non-compliance</b>	<b>Comment of the Pradeshiya Sabha</b>	<b>Recommendation</b>
(a) Pradeshiya Sabha Act No.15 of 1987 Section 24	An updated register of roads and narrow lanes had not been maintained by the Pradeshiya Sabha.	The comments of the institution have not been presented.	An updated register on the assets belonged to the Pradeshiya Sabha should be maintained.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 104 (4)	The full report had not been prepared on the cab that was subjected to the accident on 09 December 2022 even if	The Local Government Commissioner has been informed.	The proceedings should be made as per the Financial Regulations.

more than 12 months had passed since the accident.

(c)	26/92 Public Administration Circular No. 26/92 dated 19 August 1992.	The State Emblem and the name of the institution had not been marked on the body of 14 vehicles belonging to the Pradeshiya Sabha.	The arrangements will be done to mark the State Emblem and the name of the institution on the vehicle.	The State Emblem and the name of the institution should have been painted on all the vehicles belonged to the Pradeshiya Sabha.
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## 2. Financial Review

### 2.1 Financial Result

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 14,251,679 for the year ended on 31 December of the year under review as compared with the corresponding revenue exceeding the recurrent expenditure for the preceding year amounting to Rs. 3,196,570.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

According to the information submitted by the Secretary of the Pradeshiya Sabha, the particulars on the estimated revenue, billed revenue, collected revenue and outstanding revenue relating to the year under review and the preceding year, are as follows.

		<u>2023</u>				<u>2022</u>			
Source of Revenue	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
(i) Rates and Taxes	3,006,119	3,620,519	2,886,334	734,185	2,759,810	3,238,446	2,009,918	1,228,528	
(ii) Rents	4,206,100	5,253,537	4,486,651	766,886	2,619,900	2,691,367	2,254,307	437,060	
(iii) License Fee	837,100	2,331,937	2,331,937	-	781,350	1,050,661	1,215,506	(164,845)	
(iv) Other revenues	6,761,750	11,025,736	10,785,366	240,370	3,940,569	4,630,231	4,417,207	213,024	
Total	<u>14,811,069</u>	<u>22,231,729</u>	<u>20,490,288</u>	<u>1,741,441</u>	<u>10,101,629</u>	<u>11,610,705</u>	<u>9,896,938</u>	<u>1,713,767</u>	

## 2.2.2 Performance in the Collection of Revenue

The observations on the performance in the collection of revenue of the Sabha are as follows.

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
(a) The shop rental arrears of Rs. 441,272 existing since more than 04 years had not been recovered even in the year under review.	A case has been filed at the court and the actions will be taken to collect the shop rents in future.	The outstanding shop rents should be recovered.
(b) The court fines of Rs.4,400,170 and stamp duty of Rs.17,558,078 receivable as at 31 December of the year under review had not been collected.	Even if requests have been made at several occasions to settle this money, there is a frequent delay in collecting these fees.	The outstanding court fines and stamp duty should be taken.
(c) A lease agreement had been entered into on 06 February 2019 for the 3 years 2019, 2020 and 2021 regarding the Uda Viharagala observation room and its toilet and it had been given on lease to an external party. The rental arrears of Rs.297,276 as at 31 December of the year under review according to the lease agreement had not been collected.	A sum of Rs. 12,000 from the outstanding rent has been collected.	The outstanding lease revenues should be collected immediately.

## 3. Operating Review

### 3.1 Fulfilment of duties assigned by the Act

The following matters were observed with respect to the execution of duties charged with the Sabha through Section 03 of the Pradeshiya Sabha Act, being the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people.

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
A storage room for the collection of waste recycling materials had been built at the site of the waste management centre in the year 2021 at a cost of Rs. 1,892,539, However, the waste recycling activities had not been started. As a result, the collected non-degradable waste had been unsystematically dumped in the land of the centre.	The arrangements will be made to avoid this deficiencies in future.	Waste Management Activities should be done systematically.

### 3.2 Management Inefficiencies

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
In connection with the vehicle accident that occurred on 28 May 2020, the financial loss of Rs. 80,000 not reimbursed by the insurance and the additional fee of the government; which is an amount of 25 percent had not been recovered from the responsible parties.	The Local Government Commissioner has been informed to recover the amount.	The financial loss not reimbursed should be recovered from the parties responsible.

### 3.3 Operating Inefficiencies

Audit Observation	Comment of the Pradeshiya Sabha	Recommendation
(a) Although a sum of Rs.110,000 had been given on 31 March 2015 as an advance to an approved society to construct a culvert and to a drinking water supply project under pradeshiya sabha funds, the works had not been completed even by the end of the year under review and the advances had also not been settled.	A bill with project output value has been presented.	The actions should be taken to fulfil the task for which the advance was taken or to settle the advances.
(b) While a decision had been taken at the District Coordination Committee meeting held in December 2022 that the land adjacent to Uda Diyaluma Falls in Haldummulla Pradeshiya Sabha Division belongs to the Land Reforms Commission, an amount of Rs. 187,000 had been spent from the pradeshiya sabha fund to survey and map the land of 13 acres, 02 roods and 03 perches within the tourist zone of Uda Diyaluma Falls.	Although the Land Reform Commission was requested to get the ownership of the land settled, no response has been made to date.	The land should be taken over and developed.